

Message Text

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51

ACTION EUR-25

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TAGS: EFIN, BE

SUB: BELGIAN COMMENT ON MONETARY SITUATION

1. SUMMARY: BELGIAN BUSINESS AND FINANCIAL CIRCLES HAVE EXPRESSED CONCERN TO US ABOUT RECENT DEPRECIATION OF DOLLAR AND ITS EFFECT ON BELGIAN EXPORTS. WHILE MOST OF OUR SOURCES ARE AT A LOSS TO GIVE AN OPINION AS TO SPECIFIC REASONS FOR DOLLAR WEAKNESS, FEAR THAT USG DOES NOT HAVE DETERMINATION TO DEAL WITH INFLATIONARY SPIRAL IS MOST FREQUENTLY CITED FACTOR. END SUMMARY.

2. BASED ON CONVERSATIONS WITH BELGIAN PRIVATE AND GOVERNMENT OFFICIALS (INCLUDING BELGIAN NATIONAL BANK DEPUTY GOVERNOR DE STRYCKER), WE SENSE CONSIDERABLE UNEASINESS OVER PRESENT MONETARY SITUATION. MANY OF OUR INFORMANTS (WITH WHOM WE TALKED PRIOR TO SECRETARY SHULTZ' PARIS STATEMENT) FORESAW A CONTINUED WEAKENING OF DOLLAR AND EXPRESSED CONCERN ABOUT EFFECT OF CURRENT SITUATION ON BELGIAN EXPORTS. SOME ATTRIBUTE DOLLAR DEPRECIATION TO FEARS ON PART OF SPECULATORS AND ARAB OIL COUNTRIES OVER DEGREE OF DETERMINATION BY USG

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ALLEGEDLY PREOCCUPIED WITH WATERGATE TO CONTROL US
INFLATION. ONE INFLUENTIAL PRIVATE BANKER
WONDERED WHY US HAD NOT INTERVENED IN MARKET LAST WEEK WHEN
HE THOUGHT EVEN SMALL INTERVENTION MIGHT HAVE HAD STABILIZING
EFFECT.

3. DE STRYCKER BELIEVED THAT JOINT FLOAT HAS WORKED REASONABLY
WELL. (BNB HAS, HOWEVER, HAD TO BUY DM AND GUILDERS, AND
GERMANS AND DUTCH HAVE SETTLED IN DOLLARS AND SDR' S.) HE
BELIEVED THAT ANY FURTHER PRESSURE ON FLOAT LIKELY TO HIT
FRENCH
FRANC. HE ALSO MENTIONED THAT CLOSEST EUROPEANS HAD COME TO
CONSENSUS ON MAIN LINES FOR SOLUTION OF INTERNATIONAL
MONETARY PROBLEMS WAS AT TIME OF SECOND DOLLAR DEVALUATION
IN FEBRUARY. AGREEMENT WOULD, HOWEVER, HAVE DEPENDED ON
US CONTROLS OVER CAPITAL MOVEMENTS WHICH WERE THEN AND
PRESUMABLY STILL ARE UNACCEPTABLE TO THE U. S.
STRAUSZ- HUPE

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*** Current Handling Restrictions *** n/a

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